Department of Justice

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FRIDAY, MAY 20, 2005
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CRM
(202) 514-2008
TDD (202) 514-1888

DPC (TIANJIN) LTD. CHARGED WITH VIOLATING THE FOREIGN CORRUPT PRACTICES ACT

WASHINGTON, D.C. – Acting Assistant Attorney General John C. Richter of the Criminal Division today announced the filing of a one-count criminal information charging DPC (Tianjin) Co. Ltd. – the Chinese subsidiary of Los Angeles-based Diagnostic Products Corporation (DPC) – with violating the Foreign Corrupt Practices Act of 1977 (FCPA) in connection with the payment of approximately $1.6 million in bribes in the form of illegal “commissions” to physicians and laboratory personnel employed by government-owned hospitals in the People’s Republic of China.

The company, a producer and seller of diagnostic medical equipment, has agreed to plead guilty to the charge, adopt internal compliance measures, and cooperate with ongoing criminal and SEC civil investigations. An independent compliance expert will be chosen to audit the company’s compliance program and monitor its implementation of new internal policies and procedures. DPC Tianjin has also agreed to pay a criminal penalty of $2 million.

The bribes were allegedly paid from late 1991 through December 2002 for the purpose and effect of obtaining and retaining business with these hospitals. According to the criminal information and a statement of facts filed in court, DPC Tianjin made cash payments to laboratory personnel and physicians employed in certain hospitals in the People’s Republic of China in exchange for agreements that the hospitals would obtain DPC Tianjin’s products and services. This practice, authorized by DPC Tianjin’s general manager, involved personnel who were employed by hospitals owned by the legal authorities in the People’s Republic of China and, thus, “foreign officials” as defined by the FCPA.

In most cases, the bribes were paid in cash and hand-delivered by DPC Tianjin salespeople to the person who controlled purchasing decisions for the particular hospital department. DPC Tianjin recorded the payments on its books and records as “selling expenses.” DPC Tianjin’s general manager regularly prepared and submitted to Diagnostic Products Corporation its financial statements, which contained its sales expenses. The general manager also caused approval of the budgets for sales expenses of DPC Tianjin, including the amounts DPC Tianjin intended to pay to the officials of the hospitals in the following quarter or year.

The “commissions,” typically between 3 percent and 10 percent of sales, totaled approximately $1,623,326 from late 1991 through December 2002, and allowed Depu to earn approximately $2 million in profits from the sales.

DPC Tianjin’s parent company, Diagnostic Products Corporation, is the subject of an FCPA enforcement proceeding filed earlier today by the U.S. Securities and Exchange Commission. The SEC ordered the company to cease and desist from violating the FCPA and to disgorge approximately $2.8 million in ill-gotten gains, representing its net profit in the People's Republic of China for the period of its misconduct plus prejudgment interest.

The Department of Justice acknowledges the cooperation and assistance provided by the Pacific Regional Office of the Securities and Exchange Commission.

The criminal case was prosecuted by Deputy Chief Mark F. Mendelsohn and Trial Attorney Adrian D. Mebane of the Fraud Section, Criminal Division, at the U.S. Department of Justice, with assistance from the U.S. Attorney's Office in the Central District of California.

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